SECTOR UPDATE

Plantation – Malaysia

Inventory Continues To Build Up Due To Higher Output

MPOB's Jul 25 data showed a continued build-up in end-stocks, driven by higher production and higher exports. Exports were higher mom but fell yoy. We maintain our MARKET WEIGHT call given limited sector catalysts, with CPO prices expected to trade range-bound in the near term. Our sole BUY remains HAPL.

MPOB'S JUL 25 STATISTICS

(m tonne)	Jul 24	Jun 25	Jul 25	mom % chg	yoy % chg	7M25	yoy % chg
CPO Production	1.84	1.69	1.81	7.1	(1.6)	10.78	0.5
Palm Oil Domestic Use	0.24	0.46	0.48	4.5	101.9	2.65	20.3
Palm Oil Exports	1.69	1.26	1.31	3.8	(22.5)	8.26	(10.4)
Oleochemical	0.27	0.20	0.25	22.7	(7.8)	1.54	(11.6)
Biodiesel	0.01	0.00	0.05	1662.0	375.5	0.20	18.3
Palm Oil Imports	0.01	0.07	0.06	(12.8)	482.3	0.54	231.2
Palm Oil Stocks	1.75	2.03	2.11	4.1	20.5	2.11	20.5
CPO Price (RM/tonne)	4,034.00	3969.0	4112.5	3.6	1.9	4350.4	8.4

Source: MPOB, UOB Kay Hian

WHAT'S NEW

- **MPOB's Jul 25 data.** End-stocks continued to build in Jul 25, driven by the higher production despite higher exports mom. Exports were higher mom but lower yoy. Key highlights from the MPOB's Jul 25 data are as follows:

  a) Production came in at 1.81m tonnes (+7.1% mom, -1.6% yoy), in line with UOBKH's production survey and market expectation based on Bloomberg and Reuters. The higher production in Jul 25 was driven by the increase in harvesting days. 7M25 output was slightly higher by 0.5% yoy as a result.

  b) Exports in Jul 25 came in within market expectation, increasing 3.8% mom but lower yoy at 1.31m tonnes. 7M25 exports were lower by 10% yoy. Based on data from Intertek cargo surveyors, China recorded a 32% decline in exports, while India surged by 23% mom in Jul 25. However, data on India's palm oil imports shows a 10% mom decline in Jul 25 due to cancellations of order contracts, driven by competitive pricing on soybean oil.

  c) End-stocks came in at 2.11m tonnes, higher mom (+4.1%) and yoy (+20.5% yoy) driven by the higher production, despite higher exports mom. This contributed to the continued build-up in inventories in Jul 25.

ACTION

- **Maintain MARKET WEIGHT.** We maintain our neutral stance on the sector, given the limited near-term catalysts, with CPO prices potentially trading range-bound until 3Q25. Our sole BUY recommendation is Hap Seng Plantations (HAPL), as we remain positive on the company due to its inexpensive valuations with high net-cash position, in addition to appealing dividend yields.

MARKET WEIGHT

(Maintained)

STOCK PICKS

Company	Rec	Share Price (RM)	Target Price (RM)
Hap Seng Plantations	BUY	2.01	2.20

Source: UOB Kay Hian

CPO PRICE ASSUMPTIONS (RM/TONNE)

	CPO Price (RM/tonne)
2020	2,686
2021	4,408
2022	5,088
2023	3,810
2024	4,180
Our forecast:	
2025F	4,200
CPO Price:	
MPOB @ 8 AUG 25	4,218
BMD 3rd Month Contract	4,270

Source: MPOB, Bloomberg, UOB Kay Hian

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PEER COMPARISON

Company	Ticker	Rec	Price @ 11 Aug 25 (RM)	Target Price (RM)	Market Cap (US$m)	PE 2024 (x)	PE 2025F (x)	PE 2026F (x)	ROE (%)	P/B (x)	2025F Div (sen)	Div Yield (%)
Hap Seng Plantations	HAPL MK	BUY	2.01	2.20	379.97	7.85	8.70	8.20	10.00	0.70	11.53	5.74
SD Guthrie	SDG MK	HOLD	4.92	4.75	8043.24	21.87	20.59	22.47	8.30	1.70	15.35	3.12
Genting Plantations	GENP MK	HOLD	4.92	4.70	1043.43	13.67	12.58	16.70	6.10	1.00	19.56	3.97
IOI Corporation	IOI MK	HOLD	3.75	3.60	5499.34	22.02	18.02	17.89	9.50	9.50	10.81	2.88
KL Kepong	KLK MK	HOLD	19.58	20.50	5154.59	18.58	18.37	16.19	4.20	1.60	53.28	2.72
Kim Loong	KIML MK	HOLD	2.28	2.25	529.48	15.20	11.87	10.13	18.30	2.40	16.32	7.16
Sarawak Oil Palms	SOP MK	HOLD	3.45	3.15	729.25	6.91	7.56	7.89	12.20	0.70	9.06	2.63

Source: Respective companies, Bloomberg, UOB Kay Hian

ESSENTIALS

- **Aug 25 outlook:**

a) **Production to sustain mom.** We expect August's output to maintain at around 1.8m tonnes, with the current peak production cycle still ongoing. Historically, Malaysia's monthly production tends to peak in 2H at 1.8m-1.9m tonnes.

b) **Exports to rise mom.** Export volumes could continue picking up mom, still supported by palm oil's regained price competitiveness vs other vegoils; export volumes for Aug averaged around 1.4m tonnes in previous years. Early export surveys by Intertek and Ampsec for 1-10 Aug indicated a 23-24% mom increase in export volume.

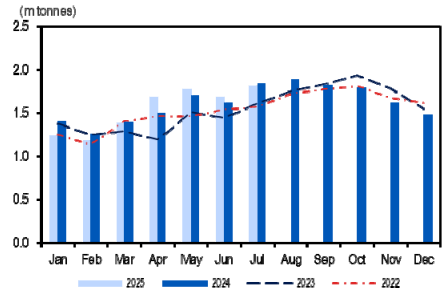
c) **End-stocks to hold up above 2m tonnes.** We expect inventory levels to hold flat or rise slightly mom at 2.1m-2.2m tonnes.

JUL 25 CPO PRODUCTION BY REGION AND STATE

(m tonnes)	Jul 24	Jun 25	Jul 25	mom % chg	yoy % chg	7M25	yoy % chg
Johor	0.30	0.27	0.30	10.5	(1.4)	1.68	(3.2)
Pahang	0.34	0.30	0.34	15.7	2.0	1.79	(1.8)
Perak	0.20	0.18	0.21	15.0	4.8	1.16	5.5
Negeri Sembilan	0.07	0.07	0.07	11.8	1.0	0.40	(2.6)
Selangor	0.05	0.05	0.06	16.6	7.4	0.33	7.0
Terengganu	0.05	0.04	0.05	25.8	(2.0)	0.23	(10.3)
Kelantan	0.03	0.04	0.05	14.4	29.9	0.21	4.3
Kedah	0.03	0.03	0.03	19.9	3.7	0.17	4.3
Other States	0.02	0.02	0.02	15.7	7.4	0.13	(3.7)
Pen Malaysia	1.10	0.99	1.13	14.4	2.6	6.10	(0.5)
Sabah	0.34	0.36	0.35	(4.5)	0.7	2.36	1.3
Sarawak	0.40	0.34	0.34	0.7	(15.1)	2.31	3.7
East Malaysia	0.74	0.70	0.69	(2.0)	(7.8)	4.67	2.5

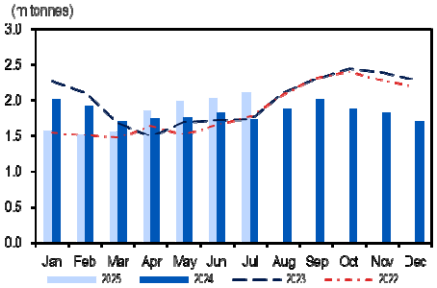
Source: MPOB

MALAYSIA PALM OIL PRODUCTION



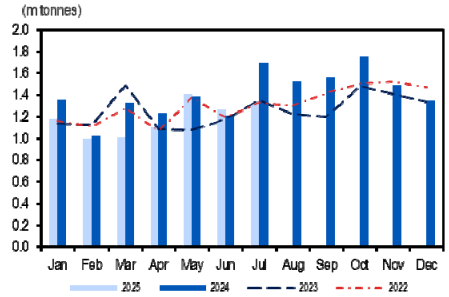
Source: MPOB, UOB Kay Hian

MALAYSIA PALM OIL STOCKS



Source: MPOB, UOB Kay Hian

MALAYSIA PALM OIL EXPORTS



Source: MPOB, UOB Kay Hian

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